



Actuarial and Employer Services Branch
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February 15, 2011

AGENDA ITEM 5b

TO: MEMBERS OF THE BENEFITS AND PROGRAM ADMINISTRATION COMMITTEE

- I. SUBJECT:** 2010 Cost-Of-Living Report
- II. PROGRAM:** Actuarial & Employer Services
- III. RECOMMENDATION:** Staff recommends that the Benefits and Program Administration Committee approve this Report, and move for adoption by the Board with instructions to file the Report with the Governor and the Legislature.

IV. ANALYSIS:

Attached is the 2010 Cost-of-Living Report required by Section 20233 of the Government Code. The annual inflation rate used in this report is 1.6 percent. This measure will be used in calculating the regular cost-of-living adjustments for CalPERS retirees.

The Retirement Law provides for the payment of an annual cost-of-living adjustment (COLA) to be paid each May. However, the COLA adjustment is limited to the lesser of two compounded numbers - the rate of inflation or the cost-of-living adjustment the employer has contracted for. The impact of inflation on 2011 COLA adjustments are as follows:

- Retirees currently subject to 2 percent cost-of-living adjustments will see an increase in their monthly benefits as shown below:

Year of Retirement	% COLA increase
2005 & earlier	2%
2006-2007	slightly <2%
2008	1.28%
2009	1.64%
2010	Not eligible

- Retirees currently subject to a 3%, 4% or 5% COLA represent less than 5% of all CalPERS retirees. Most of them will see a 1.64% increase in their monthly benefits. Those who retired in 2008 will receive a 1.28% increase. Retirees with a 3% COLA that retired in 1981 or earlier will receive a 3% increase and any retirees with a 4% COLA that retired in 1976 or earlier will receive a 4% increase.

We believe that the Report and the accompanying transmittal letter are self-explanatory.

V. STRATEGIC PLAN:

This item is not a specific product of the Strategic or Annual Plans but is part of the regular and ongoing workload of the Actuarial & Employer Services Branch.

VI. RESULTS/COSTS:

See Report.



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Attachments